

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

May 6, 2004

IN RE:

**PETITION OF T-NETIX, INC. FOR TRANSFER OF
CONTROL**

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DOCKET NO.
04-00056

ORDER APPROVING TRANSACTIONS

This matter came before Director Pat Miller, Director Sara Kyle, and Director Ron Jones of the Tennessee Regulatory Authority (the "TRA" or "Authority"), the voting panel assigned to this Docket, at the March 22, 2004 Authority Conference for consideration of the Petition¹ filed by T-NETIX, Inc. requiring TRA approval of a transaction under Tenn. Code Ann. §§ 65-4-112 & 113.

Statutory Framework

TRA approval of mergers between public utilities holding a certificate of public convenience and necessity ("CCN") in the State of Tennessee is required under Tenn. Code Ann. § 65-4-112(a), which provides as follows:

No lease of its property, rights, or franchises, by any such public utility, and no merger or consolidation of its property, rights and franchises by any such public utility with the property, rights, and franchises of any other such public utility of like character shall be valid until approved by the [A]uthority, even though power to take such action has been conferred on such public utility by the state of Tennessee or by any political subdivision of the state.

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain prior TRA approval to transfer its authority to provide utility services in Tennessee (also known as its "CCN"). Tenn. Code Ann. § 65-4-113(a) reads as follows:

¹ The Petition as filed was entitled *Notice of Transfer of Control and New Financing Arrangement*

No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) includes the standards by which the TRA shall consider an application for transfer of authority, in pertinent part, as follows:

Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer . . .

Background

T-NETIX was certificated to provide telecommunications services in the state of Tennessee on February 6, 1997 in TRA Docket No. 96-01669. T-NETIX is the parent company of T-NETIX Telecommunications Services, Inc (“TTS”) which received its certification to provide telecommunications services in the state of Tennessee in TRA Docket No 97-00017. T-NETIX is presently not providing telecommunications services to end-user customers in the state of Tennessee.

The Petition

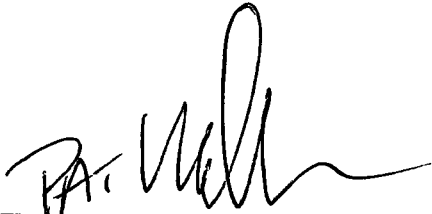
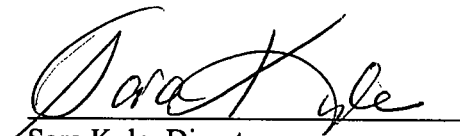
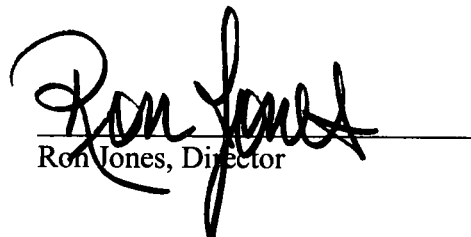
In the Petition, which was filed with the TRA on February 19, 2004, T-NETIX outlines a transaction in which ownership of both T-NETIX and TTS will be transferred to TZ Holdings, Inc. (“TZ”), a wholly-owned subsidiary of H.I.G. Capital Partners III, L.P. (“H.I.G.”), a venture capital investment firm. T-NETIX contends that the transaction will create no change in management of the certificated companies or in the rates, terms, or conditions of service to Tennessee customers. After completion of the transaction, direct ownership of TTS will remain with T-NETIX, and both companies will retain direct ownership of their respective CCNs and will continue to be the actual provider of telecommunications services. However, because of the change in ultimate ownership of both T-NETIX and TTS, the transaction will result in a *pro forma* transfer of each CCN.

The March 22, 2004 Authority Conference

At the March 22, 2004 Authority Conference, the Directors voted unanimously to approve the Petition pursuant to a finding of compliance with the requirements of Tenn. Code Ann. §§ 65-4-112 and 113.

IT IS THEREFORE ORDERED THAT:

1. The Petition of T-NETIX is approved.
2. The change in ownership as described in the Petition and herein is approved.
3. The proposed *pro forma* transfer of CCNs as described in the Petition and discussed herein is approved.


Pat Miller, Director
Sara Kyle, Director
Ron Jones, Director